

# **MICRO SOFTWARE SHAKEOUT**

## **PART I Tracing The History**

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INPUT**

Presentation  
file

CDAPSO  
Dallas 3/84

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## **KEY QUESTIONS**

- **Where Are We?**
  - **The Most Exciting Market in Computer Industry History**
  - **An Overloaded System**
- **How Did We Get There?**
  - **Major Events**

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## **1983 STATUS**

- **Related Items - Microcomputer Hardware**
  - **Hardware Shipments (Worldwide)**
    - **\$8 Billion+ in 1983**
    - **\$13 Billion+ Cumulatively**
    - **Nearly \$5 Billion to Business (1983)**
    - **More Than \$8 Billion to Business (Cum.)**
  - **Hardware Shipments (U.S.)**
    - **\$2 Billion in 1983 to Business**
    - **\$2 Billion+ in 1983 to Home Use**
    - **\$1 Billion- in 1983 to Other**

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## **1983 STATUS**

- **Related Items - Software Products**
  - **Revenues (All Software)**
    - **Nearly \$8 Billion in 1983**
    - **32% Growth From 1982**
  - **Revenues (Micro Software)**
    - **\$1 Billion+ in 1983**
    - **47% Growth From 1982**
- **Related Items - Distribution Channels**
  - **Retail Outlets**
  - **Merchandising Techniques**

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## **MICRO SOFTWARE STATUS**

- **In Less Than 10 Years**
  - **Number of Companies**
    - 5,000
    - 10,000
    - 15,000
  - **Annual Revenues**
    - \$1,000 Million
    - \$1,300 Million
    - \$2,300 Million
- **Current Growth Rates**
  - **Industry**
    - 40%
    - 47%
  - **Individual Companies**
    - 25%
    - 2,500%

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## **MICRO SOFTWARE STATUS**

- **In Less Than 10 Years**
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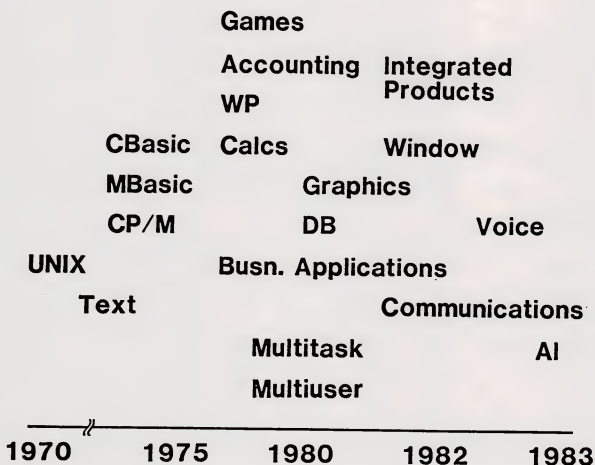
## **KEY EVENTS IN MICRO SOFTWARE HISTORY**

- **Innovation**
- **Technological**
- **Marketing**
- **Distribution**

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# PC SOFTWARE HISTORY



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## **KEY EVENTS IN MICRO SOFTWARE HISTORY - EVENT 1**

- **Recognition of Need For High-Level Language For Microcomputers**
  - **Microsoft Basic**
  - **Agreement with Tandy**
- **Follow-On Events**
  - **Estimated 1,000,000 Copies Sold**
  - **Other Language Products Emerge**

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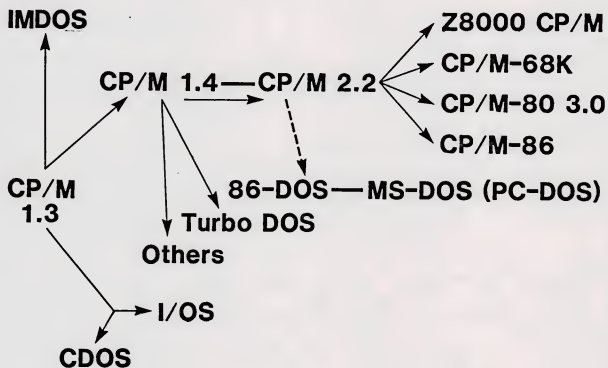
## **KEY EVENTS IN MICRO SOFTWARE HISTORY - EVENT 2**

- **Development of First Practical Operating System for Microcomputer**
  - **CP/M**
  - **Mail Order Sales to Hobbyists**
- **Follow-On Events**
  - **Digital Research Approached by IBM First for PC OS**
  - **Microsoft Acquires MS-DOS and Welcomes IBM With Open Arms**
  - **Unix and Unix Look-Alikes**

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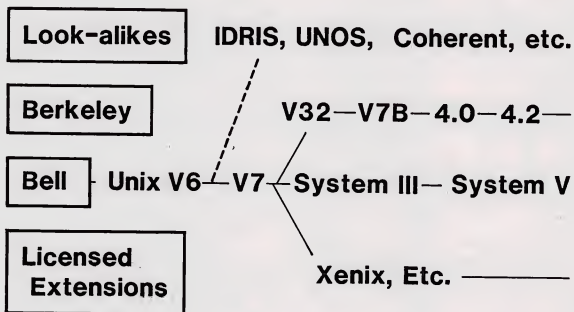
## THE CP/M FAMILY TREE



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## THE UNIX FAMILY TREE







## **KEY EVENTS IN MICRO SOFTWARE HISTORY - EVENT 3**

- **Acceptance of Early Applications Software and Applications Tools - Spreadsheets and WP**
  - VisiCalc
  - Wordstar
- **Follow-On Events**
  - Success of VisiCalc on Apple
  - Emulation by Other Calc Vendors
  - Acceptance of Other Applications Products
    - Data Management
    - Graphics
    - Accounting
    - Business Management

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## **KEY EVENTS IN MICRO SOFTWARE HISTORY - EVENT 4**

- **The Implementation of a National Distribution Network**
  - **Formation of Retail Stores and Publisher Outlets - Computerland, Lifeboat, Micro D, etc.**
- **Follow-On Events**
  - **Personal Computer Magazines' Catalogs**
  - **Personal Computer Shows and Conferences**

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## **KEY EVENTS IN MICRO SOFTWARE HISTORY - EVENT 5**

- **Recognition of the High Cost of Entry**
  - Lotus 1-2-3
  - Millions Spent on Marketing and Support
- **Follow-On Events**
  - Introduction of Other Integrated Applications Systems
  - Higher Levels of Investment
  - Shakeout?

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## **1984**

- **The Year of the Shakeout or the Year the Shakeout Begins?**
  - **Parallels in Other Industries**
    - **Automotive**
    - **Broadcasting**
  - **Parallels in Computer Industry**
    - **Mainframes**
    - **Timesharing**

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## **SIGNS OF TROUBLE**

- **Larger Company Expansion Increases Smaller Company Risk**
  - **70% of Revenues in Top 20 Firms**
- **Venture Money Spread Thin**
  - **Start-Ups More Expensive**
  - **Marketing Costs Soaring**
  - **Start-Ups Being Denied**
- **Consolidation Starting**
  - **Large Outsiders Moving In**
  - **Smaller Firms Looking For Partners**

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## **SIGNS OF TROUBLE**

- **Slower Quarterly Growth in Larger Companies**
  - Pricing Pressure
  - Competing in Crowded Markets
- **Inability to Sell Outside Original Niche**
  - Large Companies Offering To Market Products of Smaller Firms
  - Limited Room in Each Category

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## **HISTORICAL PERSPECTIVES**

- **No Spectacular Failures Until Debt Builds Up**
- **Rescues Will Become Commonplace**
- **Lack of Product Distinction Produces Vulnerability**
- **Competition Drives Innovation**

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